

Medicaid Cost for Newborns with Low Birth Weight

Wisconsin Medicaid Pays for a Significant Proportion of Births in Wisconsin

In 2004, Wisconsin Medicaid paid for 35% (24,664) of the total 70,131 births in Wisconsin.

Sixty percent of the 24,664 Medicaid births were from women enrolled in managed care, while the remaining 40% were fee-for-service (FFS) recipients.

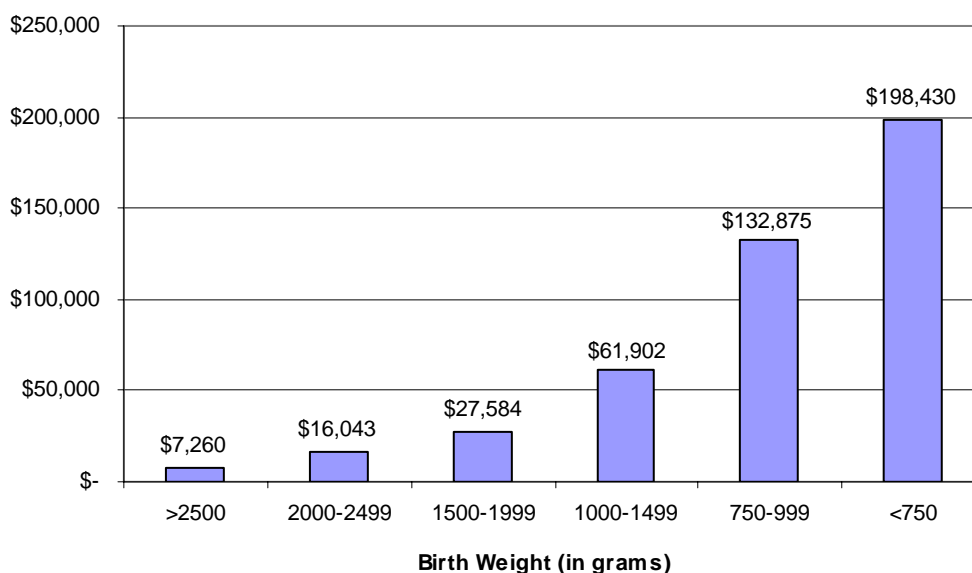
Impact of Low Birth Weights of Newborns on Medicaid Costs

An analysis of Medicaid claims data for FFS recipients reveals a substantial cost differential between newborns with normal birth weights (2500 grams, or 5.5 lbs. or more) and those with low birth weight (LBW) in the years after birth.

Since Wisconsin Medicaid pays HMOs based on negotiated capitation rates, specific amounts paid by HMOs for Medicaid HMO enrollees are not known. However, the proportional difference in costs between newborns with normal birth weight and those with LBW would be similar for those in managed care, and are reflected in the capitation rates.

The following chart shows the average per member Medicaid cost for LBW infants from birth through four years, adjusted for 2004 health care dollars.

**2004 Medicaid FFS: Average Per Member Cost by Birth Weight
First through Forty-seventh Month after Birth***



* Includes costs for all children with at least 24 months of Medicaid eligibility any time between their birth and fourth birthday.

As shown in the chart, progressively lower birth weights result in higher average costs.

- The average cost for the four years after birth for Medicaid covered services is \$7,260 for infants with normal birth weights.
- Very low birth weight (VLBW) neonates, those with birth weights of less than 1500 grams, have costs that, in most cases are at least 10 times higher.
- Infants with birth weights under 750 grams at birth have an average cost of nearly \$200,000 for the four years after birth.

Forty percent of Medicaid births are to FFS recipients. Although the majority of infants in Medicaid are born at a normal birth weight, the small proportion of LBW and VLBW infants are costly. For 2004, these births cost the FFS Medicaid program nearly \$25 million over four years. Assuming that Medicaid births to women enrolled in managed care show similar results, the total cost for low and very low birth weight infants over four years would be equivalent to about \$60 million.

Thus, reducing the rate at which infants are born with low birth weights under Wisconsin Medicaid would result in substantial savings to the program.